

North Pole Depot & Kensal Gasworks Valuation Study

Prepared on behalf of
**The Royal Borough of Kensington & Chelsea and the London Borough of
Hammersmith & Fulham**
28 July 2014

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1 Scope of the Commission

1.1 INTRODUCTION

The Royal Borough of Kensington and Chelsea (RBKC) and the London Borough of Hammersmith and Fulham (LBHF) jointly commissioned DTZ to report on the Gross Development Value (GDV), Land Sales Value and Gross Value Added (GVA) of a selection of development sites in the Kensal Gasworks area with specific emphasis on the land known as North Pole Depot.

These sites are in both RBKC and LBHF and consist of (areas quoted by RBKC/ LBHF):

- Kensal Gasworks and adjacent land (9.2 hectares)
- North Pole Depot (10.3 hectares); and
- The Mitre Bridge Industrial Estate (5.5 hectares)

The purpose of the analysis is ultimately to support both Councils' petitions in response to the High Speed 2 (HS2) Bill.

The sites are relatively isolated and subject to significant infrastructure constraints. The North Pole Depot area has been identified as being required for the development of HS2 whilst part of the area is hoped to be the location for a potential Kensal Portobello Crossrail Station. To this end, the development of the sites will need to link with the surrounding communities so that residents on both sides of the existing railway corridor can access and benefit from a new Crossrail Station.

1.2 SCHEME SCENARIOS

RBKC has set out its ambitions (for the elements of the sites within the Borough) through the Kensal Gasworks Issues and Options draft SPD which illustrates three potential development scenarios for the site, two with and one without bridge links and a station. The aspirations for the land in LBHF are contained in the Old Oak Common visioning document, which identifies that the Mitre Bridge Industrial estate and LBHF section of the North Pole Depot could accommodate 1,500 residential units. DTZ has been instructed to consider three distinct development scenarios:

- **Scenario 1: A minimum development** of 700 units based on just the Kensal Gasworks site on the north of the railway coming forward
- **Scenario 2: An intermediate scheme** of 1,500 units in LBHF plus 2,500 units on the Kensal Gasworks, North Pole Depot in RBKC. This would include a new road bridge across the railway line and road links to the south of the railway between Scrubs Lane and Ladbroke Grove.
- **Scenario 3: A comprehensive scheme** of 1,500 units in LBHF plus a 4000 unit scheme which maximises development on both sides of the railway and features a Kensal Portobello Crossrail Station which will deliver a 4 train per hour service in each direction, serving Central London and Old Oak Common respectively, a new road bridge and road links to Old Oak Common on the south of the railway.

Within each option, DTZ has been asked to break down the outcomes of the analysis between the areas within the boundaries of the respective Boroughs:

- RBKC:
 - Kensal Gasworks
 - North Pole Depot (RBKC)
- LBHF:

- North Pole Depot (LBHF)
- Mitre Bridge Industrial estate

1.3 LEVEL OF ANALYSIS

This assessment is based on indicative scheme options provided to DTZ. These scheme options are at a very early stage of development and would require detailed due diligence and viability testing prior to coming forward; importantly, they would also require agreement between various landowners. However, the scheme proposals are advanced enough for this level of assessment and in order to understand the scale of the difference in outputs between the various scheme options and scenarios. It should be noted that in particular, the costings utilised in this assessment are very much high level with significant potential for change in areas such as infrastructure and site servicing.

For the avoidance of doubt, no advice within this report is to be taken as a DTZ formal opinion of value. The commentary relates to scenarios and analysis which is based on information provided by third parties and high level, hypothetical schemes (although, they are schemes that we consider to be broadly deliverable in planning terms). No values referred to in this report are covered by the RICS Red Book (8th edition).

1.4 DOCUMENTATION

In completing this report, as well as utilising general property databases and information sources, we have relied upon the following:

- BNP Paribas Marginal and Strategic Sites Kensal Appendix
- BNP Paribas Marginal and Strategic Sites Report
- Kensal and Crossrail – Petitioning Paper for Full Council
- Kensal and Crossrail – Station and Trackwork Costs
- Kensal and Crossrail – Density calculations Options 3
- Regeneris Economic Impact Assessment
- Regeneris Crossrail Regeneration Benefits Kensal Addendum
- Alan Baxter Bridge Feasibility Report
- GVA Property Impact Report
- Old Oak Common – SKM GVA Report
- Knight Frank Gross Development Value Study North Pole Depot
- Density Calculations Option 2
- Vavaki Architects – heights and floor areas
- High Speed 2 – Response to Growth Taskforce
- North Pole Depot East benchmark value

2 Gross Development Value

The Gross Development Value (GDV) of a site is based upon the anticipated sales value of the completed development. In order to calculate the potential GDV under the three scheme scenarios, we have reviewed the total quantum of development and the associated infrastructure and public realm provision to generate an anticipated total receipt. The total GDV obviously differs between the scheme scenarios due a different amount of space but also as DTZ have adjusted the achievable value on a per square foot (sq ft) basis to reflect the impact of infrastructure improvements and the scale of development.

The schemes modelled by DTZ do not have detailed plans and are indicative based on assessments and assumptions made by RBKC and LBHF. Therefore, there is significant scope for scheme alterations and major differentials to the values calculated based on this in terms of specification, height and gross to net ratios.

Both Boroughs have previously commissioned studies which considered potential sales values for the subject sites. We have had regard to these studies although it should be noted that there has been significant growth in residential property values in London in the period since these reports were commissioned and so we have reached our own opinion of the likely sales values having regard to our knowledge of the schemes today.

2.1 RESIDENTIAL VALUE ASSUMPTIONS

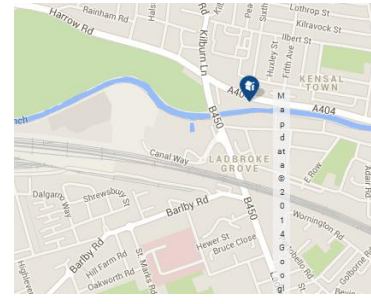
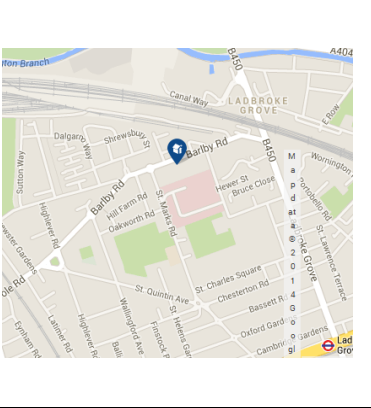
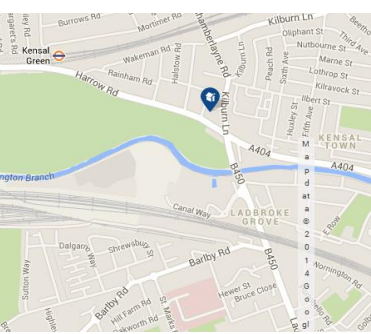
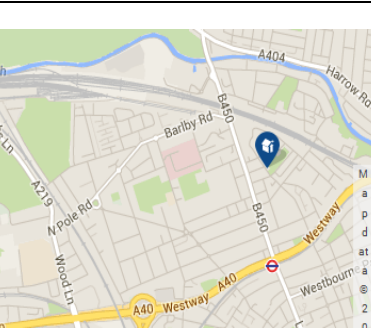
Residential values have been benchmarked using new build/recently constructed schemes in W10 and the immediate surrounding area.

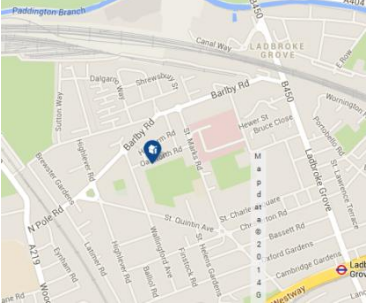

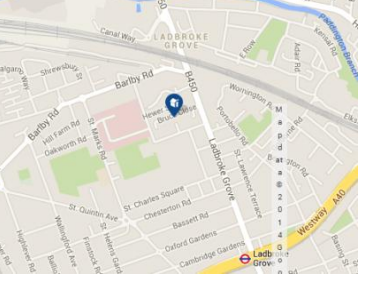

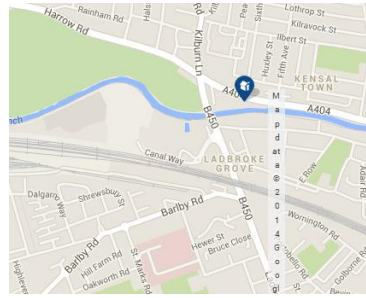
2.1.1 Market Commentary & Comparable Evidence

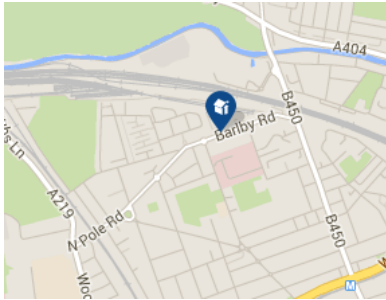
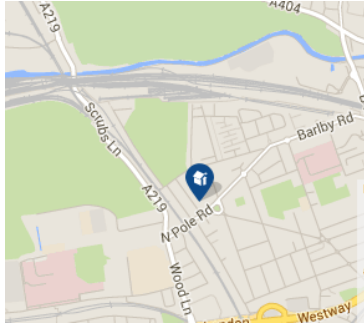
2.1.1.1 Private/Market Sale

Table 1 illustrates major apartment schemes located in the surrounding area which were on the market in early May 2014; this provides indicative asking prices for both new build and newly refurbished units which gives a basis for analysis of the subject sites in our development appraisal. Obviously there is a need to review, and where necessary adjust, these asking values against their specific location, size, wider development context, etc and relate this to key value drivers such as proximity to tube stations and likely specification of the apartment interiors.

Table 1 – Significant Residential Schemes in the Locality (figures are asking prices unless stated otherwise) relying upon Rightmove for floor areas and asking prices

Property Address (W10)	Description	Location
<p>Waterside, Kensal Green (New)</p>	<p>Waterside W10 is a brand new development that sits adjacent to Kensal Road, on the doorstep on the Grand Union Canal. 125 year lease.</p> <ul style="list-style-type: none"> - 2 bed flats: - 624 sq ft, £665,000 (£1,066 psf) - 635 sq ft, £600k (£945 psf) 	
<p>Ink Building, Barlby Road, Ladbroke Grove (New)</p>	<p>Modern, high specification development of 108 apartments with lift, modern open-plan kitchens, balcony and communal gardens and underground parking. Ground rent £675pa, Service Charge £5000pa</p> <ul style="list-style-type: none"> - 2 bed flats: - 961 sq ft, £1,030,000 (£1,072 psf) - 1,000 sq ft, £1,000,000 (£1,000 psf) - 700 sq ft, £675,000 (£964 psf) 	
<p>The Coachworks, Kensal Green (New)</p>	<p>A development of six brand new apartments located in the centre of Kensal Green. High specification finish (Nobilia kitchens, Bosch appliances, underfloor heating, Sonos wireless hi-fi system).</p> <ul style="list-style-type: none"> - 2 bed flat: - 800 sq ft, £640,000 (£800 psf) 	
<p>Portobello Square, Ladbroke Grove (New)</p>	<p>Brand new and awarding winning development just off Portobello Road. Finished to a high specification, the accommodation includes an open plan kitchen/dining reception room with balcony and two double bedrooms.</p> <ul style="list-style-type: none"> - 2 bed flats: - 804 sq ft, £750,000 (£933 psf) - 839 sq ft, £815,000 (£971 psf) 	

<p>Oakworth Road, Ladbroke Grove</p>	<p>Three bedroom ground floor flat with private garden and private entrance on quiet, leafy road.</p> <ul style="list-style-type: none"> - 3 bed flat: - 753 sq ft, £800,000 (£1,062psf) 	
<p>St Quintin Avenue, Ladbroke Grove</p>	<p>Second floor apartment has been fully renovated and reconfigured to create an open-plan living space with good views and natural light.</p> <ul style="list-style-type: none"> - 2 bed flat: - 824 sq ft, £899,950 (£1,092psf) - 	
<p>St Charles Square, Ladbroke Grove</p>	<p>Ground floor apartment within a secure purpose built block in a strong location just off Ladbroke Grove. The property comprises of two double bedrooms, patio area and access to communal gardens.</p> <ul style="list-style-type: none"> - 2 bed flat: - 630 sq ft, £475,000 (£754 psf) 	
<p>Manchester Drive, North Kensington</p>	<p>Spacious split level apartment within purpose built development block refurbished to a good standard with private balcony</p> <ul style="list-style-type: none"> - 2 bed flat: - 804 sq ft, £450,000 (£560 psf) 	
<p>Harrow Road, North Kensington</p>	<p>Two bedroom flat offers stylish and spacious accommodation with good views over the canal</p> <ul style="list-style-type: none"> - 2 bed flat: - 629 sq ft, £570,000 (£906 psf) 	

<p>Matthew Close, North Kensington</p>	<p>Bright two bedroom property within purpose-built apartment block, refurbished to a good standard with parking</p> <ul style="list-style-type: none"> - 2 bed flat: - 800 sq ft, £499,950 (£625 psf) 	
<p>Brewster Gardens, North Kensington</p>	<p>One bedroom flat situated on the second floor of a purpose-built block. Refurbished to a good standard.</p> <ul style="list-style-type: none"> - 1 bed flat: - 406 sq ft, £295,000 (£727 psf) 	

In terms of new developments, we consider that ‘Waterside’ is a particularly relevant comparable in terms of location within W10 (to the north of the subject sites) and distance to the Underground network although it is a relatively small development and commands a premium within this location due to the riverside aspect. The Ink Building on Barby Road is a high specification, relatively small development and in a better location than the subject sites, resulting in overall values being higher than we envisage for the subject sites. The Coachworks is located to the north of Kensal Green Cemetery which commands a lower value psf although the development comprises of just six high specification flats close to green space which are likely to attract a premium to the average values in the surrounding area. Portobello Square is in a strong location, just off the iconic Portobello Road within reasonable walking distance of Ladbroke Grove Underground station and is therefore likely to be able to achieve higher values than the subject sites.

Prevalent values on the LBHF side of the site, south of Scrubs Lane and down towards Shepherd’s Bush are highly variable dependent on micro location issues and amenities. There is evidence of new developments achieving £800-900 psf in and around Shepherd’s Bush (such as a new home at Gayford Road and new build flats on Askew Road) and although these are a significant distance from the site, they indicate the potential for generating significant value from new build developments when the surrounding environment meets buyers expectations and requirements.

Established (i.e. not new build) flats tend to be less comparable with large scale, apartment led developments; however, viewed collectively they offer a further benchmark to the new build schemes for the area. Oakworth Road and St Quintin Avenue are prime refurbished properties on desirable streets whereas St Charles Square, Manchester Drive, Harrow Road, Matthew Close and Brewster Gardens are more secondary properties refurbished to a lower specification.

It should be noted that some of the values attributed to the new build apartments are off-plan asking prices and therefore are likely to be quoted as higher than the actual price achievable in order to maximise headline values from the scheme.

The scale of the subject sites and anticipated number of units that would be built mean that they would add significant quantum of new development to the market. Accordingly, we envisage the average value achievable would be slightly lower than the surrounding average.

Having regard to the comparables and the scale and location of the subject sites, we have adopted a base value of **£785 psf** and adjusted this value depending on specific location of apartment blocks within the development (see section 2.1.1.3). There is always a challenge in assessing value in relatively unestablished locations such as this but given the scale of the subject sites, there is a real opportunity for a comprehensive redevelopment to ‘control and manage’ the environment in order to maximise value.

At this level of analysis we have adopted a blended average rate (adjusted for location within the scheme) rather than seeking to apply a specific adjusted value to each unit. This is a varied and untested site and we consider it appropriate to utilise a relatively conservative position. It is important to stress that this is a blended rate so there will be significant differentials between upper and lower floors within buildings and between individual buildings depending on their relative specification. On a major regeneration project and development like this, there would also be a significant differential in values from earlier to later phases; typically, the earlier phases would be discounted to take into account the un-established nature of the development and the likely issues with construction traffic etc. In later phases, the regeneration effect would typically kick in and stronger values would be achievable.

Section 2.1.1.3 details how we have varied values within the sites based on location and also the various scenarios. To illustrate the overarching impact of these changes on the average, blended psf rate in the appraisals, we have set this out in Table 2. Scenario 3 is obviously the highest as it takes into account the impact of a new Crossrail Station. Scenario 1 has a higher value than Scenario 2 as it is deemed to have a higher amenity offer with more canal side residential and relatively less compromised residential units (in terms of proximity to the railway).

Table 2 – Blended psf private residential values in the three scenarios

	Scenario 1	Scenario 2	Scenario 3
Blended psf value	£819	£791	£894

2.1.1.2 Affordable Housing

The majority of sites in this area of London provide a challenge in terms of the significant differential in value between private and affordable residential values. Affordable values are regulated by national policy, interpretation by Local Authorities and limited to what potential tenants are able to afford. The policy position (and guidance given to DTZ) is different in RBKC and LBHF in terms of both the proportion of affordable housing and the mix of tenures within it:

- RBKC:
 - No HCA social housing grant
 - 50% affordable housing by area (subject to sensitivity testing in line with the requirements of Core Strategy policy CH2).
 - Affordable housing split of 85% social rented and 15% intermediate
- LBHF:
 - 40% affordable housing.
 - Affordable housing is 100% intermediate with 1/3 targeted at incomes of under £35,000, 1/3 targeted at incomes of £35,000 to £45,000 and 1/3 targeted at incomes over £45,000

In order to insert appropriate values within our development appraisal for the affordable residential units, DTZ reviewed available comparable evidence and took into account the experience of our residential agency specialists.

The values achievable in RBKC are low, given that the vast proportion of units are to be rented as opposed to being on an intermediate tenure. The rate achievable on this affordable element is driven by income assumptions and Local Housing Allowance as opposed to the specific location; therefore, we have utilised the same rate as we understand the developer is assuming for the proposed redevelopment of the Royal Brompton Hospital in Chelsea (which is a much higher value site in terms of private residential units). The rates which we have used are £144 psf for the rented element and £355 psf for the intermediate (discount market sale) element. This £144 psf is based on an Affordable Rented Tenure (ART) as opposed to the social rented prescribed by policy; the rate is based on RBKC's Interim Affordable Rent Statement (2011) with weekly rents of 1 bed flats at £152, 2 bed flats at £165 and 3 bed flats at £170. The £355 psf for discount market sale elements is based on targeted household incomes falling within the GLA affordability criteria and applying a 3.5x mortgage multiplier to establish the maximum mortgages available to incoming purchasers. Specifically, this is

- 1 bed units (50 sq m) - £43,000 salary (+10% deposit) = £165,000 unit or £307 psf
- 2 bed units (61 sq m) - £66,000 salary (+10% deposit) = £254,000 unit or £387 psf

A significant quantum of social rented tenure housing will likely be challenging to deliver, given the lack of grant funding currently available from the HCA; the ability to provide this as part of the mix would need to be reviewed in the light of the constraints at the time of development. Overall, the mix of the rented and intermediate elements gives a value of £176 psf. We have also considered a scenario where the mix of tenures within the affordable housing is 50:50 between rented and intermediate elements – this gives a value of £250 psf.

The LBHF policy position is based on 100% intermediate tenure based on a range of income levels. To assess this, we have liaised with LBHF and sought to mirror the comparable evidence on the former BBC site in White City. We understand that a rate of circa £300 psf for intermediate tenures is being utilised on this site and this is considered reasonable for this development site, subject to a capping of the upper income range at £66,000.

Given the nature and level of analysis, we have not assessed whether the change in the tenure of the affordable housing (as per the variant scenario run) or a reduction in the amount of affordable housing will have an impact on private residential values. Although the scheme would likely be designed in order to be 'tenure blind', with affordable and private cores separated, there is typically an impact on the achievable private values from the inclusion of affordable housing within a scheme; obviously the lower the level of affordable scheme elements, the lower the impact.

2.1.1.3 Adjustments to Residential Values within the scheme

Residential values have been increased/ decreased from a base level of £785 psf depending on a number of factors:

- Proximity/ aspect to the canal:
 - We have increased values for these blocks by 10% given evidence that waterside units benefit from higher values. The local comparable research within Table 1 illustrates this in part.
- Proximity/ aspect to the railway track:
 - We have reduced these values by 5% as we consider that these units will be less desirable to potential occupiers than similar units which are less impacted by the noise/ visual impact of the railway. The local comparable research within Table 1 illustrates this in part.
- The existence of Crossrail:

- There is a proven link (see below commentary) between property values and improved infrastructure provision and accessibility. To this end, we have increased values by 15% on units within a 500m radius of the Crossrail station and by 7.5% on units within circa 500-1,500 metres (this only applies in Scenario 3).
- Analysis of the LBHF North Pole Depot lands in isolation to the other site areas within LBHF:
 - This analysis has had to be done in the scenario which identifies the potential value of the North Pole Depot in isolation (in all other scenarios, a blended value has been attributed to the assets within LBHF).
 - Working back from this blended value, we consider that values to be circa 2.5% (on average) higher on the existing Mitre Bridge Industrial Park land area as compared to the North Pole Depot land area. This is based on circa half the units within the LBHF North Pole Depot lands having a 5% reduction in value due to proximity to the railway.

Where blocks within the development are subject to more than one adjustment factor, we have added the percentage adjustments together and applied this total variation to the relevant blocks. At this level of analysis, we have adjusted per block and not sought to make unit by unit adjustments (in reality each unit will be priced according to location, specification, layout, floor height etc).

2.1.1.4 The impact of Crossrail on Property Values

The most important change to accessibility and potential value of the subject sites in the next 10 years is likely to be the opening of Crossrail envisaged in 2017 and the potential for a Portobello Road/ Kensal Green station. There is a large body of research which shows the significant impact of major new infrastructure on property values. Data reviewed by DTZ gives an indication of potential value uplift and should be viewed as our best estimates given limited case study evidence. Full details are set out in Table 3, but in summary:

- The GVA Crossrail Property Impact Study (October 2012) indicates a potential capital uplift of 20% for residential and 10% for commercial values immediately around Crossrail stations.
- The impact that the HS1 rail network had on residential price increases across the network ranged from 5%-25% and was linked to commuting times to London. The extension has enabled three major development sites.
- The Boston Subway, Southern New Jersey Line, Portland Eastside and Dublin metro lines all recorded an increase in residential prices of circa 10%. Recorded increases in land values were as high as 25%.
- There is a premium for retail and commercial space within the immediate proximity of a transport node of up to 400 metres. The literature also suggests that residential property increases in value due to improvements in rail infrastructure up to a range of 1,000 metres although it can be detrimental to locate residential uses within immediate proximity to a transport node.
- Increased connectivity will enable high density development and is a key factor for retail and office uses.
- Research is far from conclusive but suggests that infrastructure improvements have a positive impact on value of land and property; unsurprisingly this is particularly prominent where a suburb with poor connectivity is opened up and linked to an area of high economic activity.

Table 3 – Summary of international study results on the impact of transport infrastructure on property value

Case Study	Source	Impact on	Impact
Europe			
London Jubilee Line	Chesterton (2000 and	Residential Commercial	Positive Impact but

Extension (Underground)	2002)		variable – highest impact for apartments. Positive perception from estate agents, developers and investors and high occupancy levels.
London Jubilee Line Extension (Underground)	Riley (2001)	Land	Aggregate increase in value of AED 78bn against a project cost of AED 21bn.
South Axis, Amsterdam HSL South Services	Debrezion (2006)	Residential Commercial	+4% generally, but negative if too close (205 – 500m) to stations. +14% increase within 400m of stations. Basically limited to reasonable walking distance.
T2 Tramway – Hauts De seine Department, France	Boucq (2007)	Residential	No increase before opening, progressive increase in prices for 4 years after opening.
Dublin Area Rapid Transit (DART)	Mayor, Lyons Duffy and Richard (2009)	Residential	+7-17% between 500m and 2,00m of stations
Asia			
Talpel MRT	Hwang Lin (2003)	Land	+25%
Tokaldo Line, Japan	Cervero (1998)	Land (for commercial use)	Up to +27% within 50m of stations.
Guangzhou Line 2 (China)	DTZ (2009)	Land	+15-25% on commencement with another +15-25% once the line opened against a benchmark market uplift of 5% pa.
Shanghai MRT Line 5 (China)	DTZ (2009)	Residential	+50% (in sales prices) within 1 year of completion against an average increase of Shanghai residential property which was 17% in 2003.
Shenzhen MRT Line 1 (China)	DTZ (2009)	Residential	+100% (in sales prices) within 1 year of completion against an average increase of Shanghai residential property which was 17% in 2003.

Hong Kong MRT	DTZ (2008)	Residential	+24.3% (in sales prices) average increase within a radius of 400m around MRT station. +31.5% within 100-200m.
Tongzhou Metro	Gu (2006)	Residential	1.8% every 1,000m from stations.

North America			
San Francisco Bay Area Rapid Transit (BART)	Apta (2002) and Gruen & Associates (1997)	Single family homes. Apartment rents comm. land values.	+AED 2,900 depreciation per mile from stations +15-26% +AED 272/sq ft within ¼ mile and +AED 110/sq ft with ½ mile.
San Francisco Bay Area Rapid Transit (BART)	Landis and Cervero (1995)	Residential	+38% (in sales prices) for property immediately adjacent to station (35km away)
Portland Eastside Metropolitan Area Express	Duecker and Stratham (1994)	Residential	+10.6% within 500m of stations, 2 years after the operation in the East Burnside area.
Washington DC Metro	Benjamin and Sirmans (1996)	Residential	-2.4-2.6% (in rents) every 1/10 th of a mile from the Metro stations.
Toronto Subway / Rapid Transit	Hack (2002)	Commercial Residential	+30% within 500m of station which is +10% over the city average. +20% (Max) for properties “close” to the stations.
Southern New Jersey Line (PATCO) Philadelphia	Both (1991)	Residential	+10% for properties near commuter rail stations.
Boston Subway	Armstrong and Rodriguez (2006)	Residential / Commercial Single family residential	+10% for properties within ½ mile of stations. +6.7%.
Dallas Area Rapid Transit (DART)	Cwer and Weinstein (2002)	Residential / Commercial	+31% within ¼ mile form LRT station compared with +19.5% at other stations.
Santa Clara California Light Rail Transit	Weinberger (200)	Land (for commercial use)	+23% within walking distance of stations.
Atlanta Light Rail (MARTA)	Nelson and McClesky (1989)	Residential	No uplift.
Miami Metrorail	Gatzlaff and Smith (1993)	Residential	No uplift.

2.2 COMMERCIAL VALUE ASSUMPTIONS

Table 4 illustrates the value inputs utilised for the various commercial uses in the scheme.

Table 4 – Commercial Value Assumptions

Values	Gross Capital Value psf	Rent psf	Yield
Office/ Employment	£370	£25	6.75%
Retail/ Leisure	£296	£20	6.75%
Education / Community / Culture	£107	£8	7.50%
Other	£27	£2	7.50%




2.2.1 Office/Employment

Office values have been benchmarked using small scale lettings in the immediate surrounding area as values of employment space in more residential areas tend to be particularly sensitive to micro-location factors and transport hub proximity. Table 5 illustrates office units located throughout W10 and the most recent rental values that have achieved, although these values are subject to unknown incentives which distort the headline rent available publicly. The majority of the buildings are Grade B space. Peake House is a Grade A building although not comparable with prospective office space on the site in terms of design or location. The Phoenix Brewery offers good quality refurbished space although has a better location closer to the Underground network. The Southam Street office offers the best locational comparable and was let recently at £25 psf.

On sites such as this, we would typically expect these commercial elements tend to be less value enhancing (and sometimes have a negative net impact) on the scheme relative to the residential uses and their inclusion is driven by planning requirements as opposed to profit maximisation. This is common across many residential led developments in London but of course this is a general rule and there are instances of some uses (in particular, retail and leisure) which have a major positive impact on the appraisal but this site is at too early a stage of evolution to provide for this. The reason for the inclusion of commercial space within planning requirements is a view that in the long term, for a sustainable and viable development, these elements need to be provided for (and in fact, will secure financial returns in the long term). However, the time horizons of developers and the difficulty in securing tenants for developments which are not fully mature mean that they tend to consider these elements to be a burden. This is a scenario reflected on many major residential led sites across the UK.

Table 5 – Office Letting Comparables (sourced from EGi)

Address (W10)	Date	Area (sq ft)	Lease Length (years)	Grade	Rent	Rent psf	
14a Southam Street	01/04/2014	600		B	£ 15,000	£ 25.00	
Phoenix Brewery, 13 Bramley Road	31/01/2014	1334	5	New - Refurb	£ 48,024	£ 36.00	
333 Latimer Road	09/01/2014	960	5	B	£ 18,720	£ 19.50	
Ivebury Court, 325 Latimer Road	11/09/2013	355	5	B	£ 6,497	£ 18.30	
The Surgery, 81 Southern Row	01/08/2013	564	3	B	£ 7,896	£ 14.00	
Park House, 206-208 Latimer Road	01/10/2012	530	3	B	£ 8,480	£ 16.00	

Peake House, 92 Golborne Road	16/07/2012	4300	10	A	£174,795	£ 40.65	
Network Hub, Kensal Road	Available	902		B	£ 18,040	£ 20.00	
9 Thorpe Close	Available	680		B	£ 17,000	£ 25.00	

2.2.2 Retail and Leisure

Retail units located within large residential schemes are typically not directly comparable with general retail units in established locations and their value will vary significantly depending on the size of the scheme and access to non-resident footfall. Therefore retail values have been benchmarked using both letting values in the surrounding area as well as our experience advising on other major residential led development schemes across London. Although leisure assets tend to command a narrower range of psf values, the value will be dictated by the size of the capture area and perceived footfall from non-residents. Given the approach taken, we consider that specific comparable data will be of limited use and benefit to this assessment.

There is a major Sainsbury's store currently on the site and all scenarios reviewed include re-provision for a major new Sainsbury's store. This is a major value driver with an assumed 80,000 sq ft store with a capital value of £580 psf (distinct from the standard retail value applied to other defined retail space). The structure of the model (and for the purpose of following the same approach for all scenarios) is such that we are assuming that the existing Sainsbury's site is 'bought' in and a new Sainsbury's developed and 'bought' by Sainsbury's/ an investor. This is highly unlikely to be the actual route that is taken, as Sainsbury's will require continuity of trade and extending their existing store will likely be the most economically advantageous option. However, for the purposes of this appraisal, we consider our approach to be robust in comparing high level development options on a consistent basis.

2.2.3 Other

Education, Community and Cultural land uses are highlighted in Table 4. These uses are included within the scheme based on the expectation that they would be required from a planning perspective and to support the significant volume of residential development. In the main, these uses are loss making (in terms of the rent they pay compared to the cost of construction) to a developer and are included to support the wider mix of uses. Their value tends to vary significantly depending on the specific use and tenant and some of the uses will pay no rent at all (e.g. they are being provided by the scheme as a benefit in kind to the community). For analysis at this level, we consider it reasonable to assume that the capital value of these uses is set at a marginal discount to the base build costs for these uses.

An 'Other' definition has also been included and we have assumed a nominal capital value set at circa 25% of the base build cost to reflect that this is likely to be significantly loss making.

2.3 RESULTS

Table 6 illustrates the indicative Gross Development Values for each of the three scheme scenarios based on the assumptions adopted. It should be noted that no allowance for growth in value has been accounted for in the appraisal. Apart from the accuracy associated risks of forecast values, construction cost growth would also need to be forecast which tends to be particularly challenging considering the reliance of the construction industry on global commodity markets. Current day values and costs are typically used when modelling large projects such as this and the inclusion of growth would be beyond the scope of the level of analysis undertaken for this report.

Table 6 – GDV's for the three scheme scenarios

	Scenario 1	Scenario 2	Scenario 3
Gross Development Value	£352,000,000	£1,571,000,000	£2,222,000,000
RBKC	£352,000,000	£987,000,000	£1,604,000,000
LBHF	£0	£584,000,000	£618,000,000

3 Residual Land Value

Utilising the GDV generated, we have constructed and developed a bespoke Excel based financial model (annual cash flow analysis) in order to calculate the potential residual land value which could be generated by development of the site (i.e. the GDV less development costs and a market level profit allowance to a developer). This assessment is based on the sites coming forward as part of a phased development, and in relation to the two scenarios which involve development of all the sites, with the first homes being marketed in 2020 followed by a 15 year sales period. This sales period has been defined by RBKC and LBHF and is not a DTZ assumption although we consider it to be broadly reasonable.

3.1 BOROUGH SPECIFIC ASSUMPTIONS

The following respective set of assumptions for developments within RBKC and LBHF has been generated by both Councils and DTZ has applied them in our development appraisals.

3.1.1 RBKC

Schemes covering land within RBKC are in compliance with the Development Plan, taking into account:

- All residential development meeting Code for Sustainable Homes Level 4
- Parking provision in line with the Borough's Transport SPD
- A Mayoral CIL contribution
- Provision of highway improvements including a double span bridge over the railway
- A new Crossrail Station and associated track works

3.1.2 LBHF

Schemes covering land within LBHF should be in compliance with the Development Plan, taking into account:

- Parking provision in line with the Borough's Development Management Local Plan Policy J2
- A Mayoral CIL contribution
- Provision of highway improvements, including an east west road from Scrubs Lane to RBKC on the North Pole depot site.

3.2 COSTS

Please note that we have quoted a number of costs in both per square metre (psm) terms as well as psf. Costs are normally quoted in psm but values are typically quoted in psf terms so we have added in the respective rate within the cost analysis to allow for ease of comparison with the values quoted earlier.

3.2.1 Construction Costs

Base construction costs are based on previous experience of similar residential led projects in London and are current day prices with no allowance for inflation (see Table 7).

Table 7 – Build Costs

	psm	psf
Residential	£2,100	£195
Retail/ Leisure	£950	£88
Office/ Employment	£1,300	£121
Education / Community Floor/ Culture	£1,300	£121
Other	£1,300	£121

3.2.2 CIL

CIL costs have been sourced from the respective Borough's Draft Charging Schedules (see Table 8). Mayoral CIL has been applied to all development save for education and health facilities.

Table 8 – CIL Costs

CIL	Kensington & Chelsea		Hammersmith & Fulham	
	£ psm	£ psf	£ psm	£ psf
Residential	£110	£10	£100	£9
Retail/ Leisure	£0	£0	£80	£7
Office/ Employment	£0	£0	£0	£0
Education / Community Floor/ Culture	£0	£0	£0	£0
Other	£0	£0	£0	£0
Mayoral CIL	£50	£5	£50	£5

3.2.3 Other General Costs

Table 9 details the general development costs applied equally across the subject sites. This includes assumptions on likely fees, profit allowance, contingencies and finance rates; we have based these assumptions on our knowledge and experience of assessing similar sites across the United Kingdom and from viewing the analysis of many different developers from major mixed use development sites. These percentage figures are typically within a range, so we have sought to input a 'reasonable' level within this range given the type of development proposed and the level of information available to us in this assessment; there is room for both an increase and decrease in the majority of these assumptions as the form, type and timing of any development become clearer.

Similarly, Table 9 refers to two significant capital costs which have been applied consistently across the sites on a per acre basis – there is considerable scope for variation from this base position for both of these costs. This relates to:

- Site servicing, landscaping/ car parking/ external works/ demolition/ s106 other cost - £600,000 per acre
- Remediation - £150,000 per acre

Sites are intrinsically different which makes defining a generic per acre cost for site servicing problematic. There is no existing, site specific information for the site in terms of these standard costs for landscaping/ car parking/ external works/ demolition/ s106 other costs. To come to the figure utilised, we have reviewed specific sites of a similar make up and scale to this in order to gauge the approximate costs on a per acre basis as well as reviewing guidelines and commentary from the Homes & Communities Agency and others (including an EC Harris assessment of typical site servicing costs in the South East of England). The total for the subject sites is £29m.

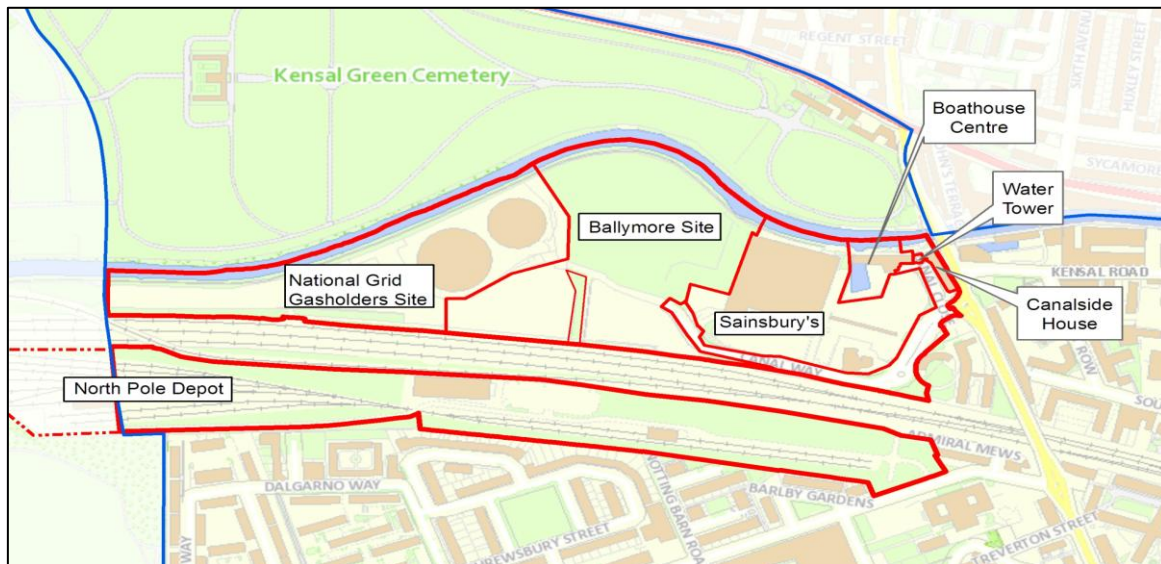
The remediation costs applied are again based on DTZ's experience on broadly comparable sites. Dependent on the specific remediation issues, this figure could change significantly from the allowance which equates to circa £7m for the subject sites.

Table 9 – Other Costs

Variable	Assumption
Finance Rate	6.5%
Profit on GDV	20.0%
Professional Fees on Construction Costs	11.00%
Site servicing, landscaping/ car parking/ external works/ demolition/ s106 other cost (per acre)	£600,000
Remediation (per acre)	£150,000
Contingency of total costs	7.5%
Marketing (% of total GDV)	1.0%
Residential Sales Agency fee	1.0%
Residential Sales Legal fee	0.5%
Commercial Sales Agents	1.0%
Commercial Legal	0.5%
Agency letting fee	10.0%
Agency legal fee	5.0%
Purchaser's Costs	5.80%

3.2.4 Existing Use Value

Figure 1 – Site Ownerships (RBKC area only)



The structure of the development appraisal utilised by DTZ is such that all land is assumed to go into the appraisal at its current day existing use value (ignoring any development involving a change of use; this does not necessarily

correlate with the RICS definition). This improves viability when compared to the scenario where all the existing land owners seek the full residual value of their assets prior to development (this would be a greater drag on the cashflow); we also consider it to be the most likely scenario in that the landowners would seek upfront payment of existing use value and take phased payment relating to the residual land value generated by the scheme as it is developed.

This current day existing use value reflects current leases on the sites and current income but does not include any 'hope value' in terms of the redevelopment value of the land away for anything other than industrial development. We consider this to be a robust and reasonable assumption based on the fact that any comprehensive redevelopment will likely require buy in from the existing land owners who would secure a share of downstream development value (over and above the existing use value) from development receipts. If a market value or alternative use value approach was used for calculating the input land value, then there is a risk that the input land value would be higher; this would just feed through as a lower residual land value however so the aggregate position for the individual land owners would remain largely the same. The constituent figures used are in Table 10 whilst the totals for the respective scenarios are set out in Table 11. We are only in possession of limited information for the sites and have not had access to landowners' actual opinion of existing use value so have had to make certain high level assumptions in calculating existing use values for this analysis:

- DTZ is not aware of the net lettable area of the Mitre Business Park. Industrial existing use value for the park has been calculated by applying a net lettable percentage (40%) to the total site area (Promap) to give an indicative net lettable area. A rent of £13.00 psf and a yield 6.75% has been assumed. Existing use value has taken account purchaser's costs at 5.8%.
- The existing use value of the Sainsburys store has been calculated using a gross to net area ratio of 90%. A rent of £25 psf at a yield of 4.75% has been applied and as well as purchaser's costs at 5.8%.
- The Gas Works and associated land to the east, as well as the North Pole depot has been assumed to have an existing use of industrial for the purpose of assessing the existing use of the sites. The values that have been assigned are indicative values based on 'tone of the list' methodology to reflect the unlimited information available. DTZ has no access to operational information for these assets/land.
- The existing use value of the Gas Works and associated land to the east has been assumed to be of higher value than the North Pole Depot site due to the existing access to the site as well as the shape of the land which would likely compromise use of the land for industrial use.
- Where a per acre value has been used to calculate the total, the areas are based on DTZ Promap assessment and checking this against the original brief provided. The initial brief included some double counting of areas. For clarity, the areas assumed are set out in Table 9.

Table 10 – Indicative EUVs

	Per Acre EUV (CIL Study)	Other Sources	Total	Acres
The North Pole Depot is owned by DfT and maintained by London and Continental Railway.	£500,000		£5,928,000	11.9
The Boathouse Centre and Canalside House are owned by RBKC	£500,000		£247,000	0.5
The Water Tower is privately owned (and has been converted into a house)	Excluded from analysis			
The Sainsbury's is owned by Sainsbury's		£39,797,035	£39,797,035	6.2
National Grid control their own site	£750,000		£3,225,000	4.3
Ballymore control their own site	£750,000		£8,816,250	11.8
				34.6
Area within LBHF				
The North Pole Depot is owned by DfT and maintained by London and Continental Railway.	£500,000		£5,063,500	10.1
Liverpool Pension Fund (Mitre Bridge Industrial Park)		£9,867,813	£9,867,813	3.5
				13.6
			Total	48.2

Table 11 – Indicative EUVs

	Scenario 1	Scenario 2	Scenario 3
Area within RBKC	£52,085,285	£58,013,285	£58,013,285
Area within LBHF	N/A	£14,931,313	£14,931,313
Combined	£52,085,285	£72,944,598	£72,944,598

3.2.5 Scheme Wide Development Costs

There are a number of major costs which have been identified by consultants in previous studies for RBKC and LBHF and which are not necessarily applicable to specific development plots; we have therefore not attributed them to individual development areas but either as a cost to be shared across all sites or to be applied to sites in either RBKC or LBHF. RBKC and LBHF has asked DTZ to disaggregate these costs in terms of applying them to the respective elements of the subject sites in order that overall land value forecasts can be split between the Boroughs. To this end, the third column of Table 12 illustrates to which Council area the cost has been applied or if it has been shared on a per acre basis (note that not all costs are incurred in all scenarios).

Table 12 – Scheme Wide Development Costs

Development Costs	Cost	Allocation
Gasworks Decommission	£5,000,000	RBKC
Crossrail Station	£40,400,000	RBKC
Site fill to enable link to Kensal North site	£16,454,000	RBKC
Canal Bridge	£2,400,000	RBKC
Railway Bridge	£11,650,000	RBKC
Connection onto Scrubs Lane	£14,562,500	LBHF

Gas holder decommission costs are based on costs recorded from other completed development projects comprising gasholder decommissioning.

Kensal Gasworks is in an isolated location; at present, there is only one access road and the capacity of its junction with Ladbroke Grove will severely limit the amount of development that is possible on the Gasworks unless another route to the site can be created. The only way this constraint can be overcome is by building a new road bridge over the railway line from the North Pole Depot site. The cost of the railway (and canal) bridges and has been sourced from the Kensal Gasworks Bridge Feasibility Study by Alan Baxter.

The projected cost of the Crossrail Station has been given to DTZ by RBKC as has the levelling works at Kensal North (from the Alan Baxter study).

Similarly, there are constraints on access to the North Pole depot land (for the quantum of development envisaged) from Scrubs Lane. We have assumed that connection onto Scrubs Lane matches the cost of the railway bridge but with a 25% contingency allowance due to the lack of information about the likely costs.

3.3 PHASING

- Development takes place at an 'even' pace across all sites within the scenarios.
- Scenario 1 has a 7 year sales period based on a conservative build and sales period which DTZ consider to be robust and reasonable based on our experience analysing and working on similar sites.
- Scenarios 2 and 3 are based on a 15 year sales period starting in 2020 as advised within the brief given to us by RBKC and LBHF (although, we consider this to be broadly reasonable).

3.4 NORTH POLE DEPOT

DTZ's brief from RBKC and LBHF seeks advice as to the potential residual land value of the North Pole Depot (including both the areas within RBKC and LBHF). Our approach to assessing this is consistent with the approach applied to the other sites and scenarios. The results presented for this site are based on Scenario 2.

3.5 RESULTS

Table 13 illustrates the indicative Residual Land Value for each of the three scheme scenarios based on the assumptions adopted plus the North Pole Depot value (in Scenario 2).

Table 13 – Residual Land Value for the three scheme scenarios

	Scenario 1	Scenario 2	Scenario 3
Overall	-£27,000,000	£85,000,000*	£257,000,000
RBKC	-£27,000,000	-£8,000,000*	£140,000,000
LBHF	N/A	£94,000,000*	£117,000,000
North Pole Depot Only	N/A	£70,000,000	N/A

* Figures are rounded

4 Gross Value Added & Economic Benefit

4.1 METHODOLOGY

This section examines the gross value added benefits that could be expected to arise in line with the development options set out within this report. The benefits are split between those resulting from the additional commercial floorspace, the temporary construction jobs and the additional new residential units.

The Gross Value Added (GVA) and job figures set out below are an estimate of the anticipated additional economic value generated from the construction and completed development. The calculations are based on a number of generic high level assumptions and consequently should be used as an indicative guide only.

The key benefits assessed are:

- Gross permanent jobs and additional GVA from the new employment space
- Gross construction jobs and construction spend relating to the employment and residential space, and new infrastructure
- Additional Council tax revenues
- Anticipated New Homes Bonus income
- Increased spend in local economy from the additional residential population.

The assessment uses desk-based information, standard industry assumptions and professional judgement to assess the likely scale of economic impacts of the proposed development. In doing so, it follows best practice method and guidance as appropriate, including advice set out in the following:

- Additionality Guide: Fourth Edition, HCA, 2014.
- Employment Densities Guide, Drivers Jonas Deloitte & HCA, Second Edition, 2010.
- Construction Jobs Guidance Note, OffPAT, 2009.

The economic benefits have been calculated using the employment floorspace and residential unit numbers set out above. The benefits of each scenario have been assessed separately, and have also been apportioned between Kensington & Chelsea and Hammersmith & Fulham.

The residential and employment benefits have been assessed independently of each other. This is in order to avoid issues in double counting the additional disposable income brought into the local area e.g. if a new resident earns the additional disposable income they bring to the area from the new employment floorspace. For this reason, the analysis assumes that new jobs do not go to residents of the new housing.

It should also be noted that income resulting from the new jobs is included within the Gross Value Added (GVA) figures i.e. salaries are included within the additional turnover. Job figures should therefore be seen as an alternative expression of GVA rather than as an additional benefit.

4.2 OVERALL

Residential Income:

- Relationship between Council tax bands and unit types estimated using professional judgment and examples from other London Boroughs.
- Council tax are 2014/15 rates and include GLA element but exclude K&C Garden Squares charge.
- Household size data taken from Table 810, DCLG Survey of English Housing, 2007.
- Proportion of working age population based on 18-65 age proportion in London, Census 2011.
- Median gross annual pay is for all workers from ONS ASHE, 2013.
- Income deductions are estimated and assumed to include: tax, national insurance, mortgage payments and Council tax. Based on current tax rates, UK industry mortgage average and Council tax band D.
- Leakage, displacement and multiplier assumptions taken from HCA Additionality Guidance, 2014.

Jobs and GVA from employment uses:

- Employment densities taken from HCA / Deloitte Employment Density Guidance, 2nd edition - general categories used due to high level nature of uses.
- Gross jobs assumed, given difficulty in estimating net local jobs due to highly mobile nature of employment between Boroughs.
- GVA per worker is an average blended rate.

Construction Jobs:

- Assumptions taken from development model on split of total construction spend by residential, employment and infrastructure uses.
- Labour co-efficients taken from OffPAT Construction Jobs Guidance Note (01/12/2009).
- Total construction spend taken as proxy for output i.e. GVA of construction.

4.3 BENEFITS FROM THE EMPLOYMENT FLOORSPACE

4.3.1 Permanent Jobs from the Employment Floorspace

The gross direct permanent jobs created by the employment floorspace can be estimated by applying average employment density standards (floorspace per full time equivalent job, based on the 2010 HCA Employment Density Guidance, 2nd edition) to the net floorspace for each use type. This provides an approximation of the additional job potential of the development. Given the high level nature of the proposals, general categories from the guidance have been used for each of the proposed uses. The density assumptions used are set out in Table 14.

Table 14 Employment Densities

Use	Employment Density (sq m per FTE)	Density Guidance Category
Retail / Leisure	19	High Street Retail
Office / Employment	12	General Office
Education / Commercial / Culture	65	Education Space
Other	70	Amusement & Entertainment

Applying these densities produces the gross permanent full time (FTE) jobs for each scenario as set out in Table 15.

Table 15: Employment Floorspace FTE Jobs

Scenario	Additional Gross FTE Jobs		
	Scenario 1	Scenario 2	Scenario 3
RBKC	755	1,267	1,137
LBHF	-	503	503
Combined	755	1,770	1,640

These jobs are presented as gross jobs rather than net jobs for local resident i.e. no leakage or displacement effects have been accounted for. This is due to the difficulty in estimating net local jobs given the highly mobile nature of employment between London Boroughs.

4.3.2 GVA from the Employment Floorspace

As an alternative measure of the benefits resulting from the employment floorspace, the additional GVA likely to be generated has also been calculated. This uses an estimate of the average blended GVA per worker of £71,300. This assumption is calculated by applying the ratio between the median wage for London as a whole and its GVA, to the median wage for the two Boroughs. This GVA value is also similar to those used in previous studies for the area. The GVA has been calculated on a per annum basis and, in line with CLG guidance, it has been assumed that the benefits would last for 10 years.

Table 16 sets out the estimated GVA from the employment floorspace for each scenario. Again, it should be noted that these figures are gross – in that no account has been taken for leakage or displacement. The figures are also discounted i.e. the gross figures have been entered into a cashflow phased on the expected completion date of the commercial floorspace. This cashflow has then been discounted at the Treasury discount rate of 3.5% per annum.

Table 16: Employment Floorspace GVA

Scenario	Additional GVA (total over 10 years)		
	Scenario 1	Scenario 2	Scenario 3
RBKC	£311.5m	£522.8m	£469.1m
LBHF	-	£207.5m	£207.5m
Combined	£311.5m	£730.3m	£676.6m

4.3.3 Construction Jobs

The calculation of construction jobs is based on using the total construction spend of the proposed development, split by residential, commercial and infrastructure components. This is then divided by the OffPAT construction labour co-efficient for each component from the OffPAT Construction Jobs Guidance note, 2009. This is now the accepted method for estimating construction-related employment impacts from a Treasury economic appraisal perspective.

The labour co-efficient represents the number of construction jobs per year per £1m of construction spend. In line with the OffPAT guidance, a co-efficient of 26.4 has been adopted for the construction of employment uses, 31.5 for residential uses and 22.2 for infrastructure provision. This results in the following construction jobs per year over the build period (7 years for Scenario 1 and 15 years for Scenarios 2 and 3). As with the above calculations, it should be

noted that these are gross jobs, with no account taken for these being taken up by people not resident in the respective Boroughs.

Table 17: Gross Construction Jobs

Scenario	Construction Jobs per year for build period		
	Scenario 1	Scenario 2	Scenario 3
RBKC	795	1,135	1,734
LBHF	-	567	567
Combined	795	1,702	2,301

4.3.4 Construction GVA

In line with the GVA calculations for the employment floorspace, an estimate of the GVA resulting from the construction activity has been calculated as an alternative measure to construction jobs generated. As a proxy for output it has been assumed that the construction GVA equates to the construction spend over the development period. The resulting GVA figures have been discounted in line with the Treasury discount rate and are set out in Table 18.

Table 18: Construction GVA

Scenario	Additional GVA over construction period		
	Scenario 1	Scenario 2	Scenario 3
RBKC	£162.7m	£429.8m	£655.5m
LBHF	-	£212.9m	£212.9m
Combined	£162.7m	£642.7m	£868.4m

4.4 GVA / BENEFITS FROM THE RESIDENTIAL UNITS

4.4.1 Council Tax Revenues

The additional residential units under each scenario would result in extra Council tax income for the Councils, albeit such revenues will be partially offset by the cost of providing associated services. As Council tax is dependent on a property's Council tax band, the unit mix breakdown from the development appraisals discussed in the previous sections has been used.

To estimate additional Council tax revenue, current Council tax rates i.e. 2014-15 have been used for each Borough. These include the GLA tax element but exclude K&C's Garden Squares charge. These rates have been applied to the unit mixes using the Council tax band assumptions as set out in Table 19 (established using professional judgment and established best practice).

Table 19: Council Tax Band and Rate Assumptions

Unit Type	Council Tax Band	Council Tax Rate – K&C	Council Tax Rate – H&F
1-bed	D	£1,067	£1,034
2-bed	E	£1,304	£1,264
3-bed	F	£1,541	£1,494
4-bed	G	£1,778	£1,724

Applying these assumptions to the proposed unit mixes results in additional gross annual Council tax revenue figures. As these will only start to be realised once residential units are completed, these figures have been phased and discounted in line with the Treasury's discount rate. In line with CLG guidance, the benefits from this additional revenue have been assumed to last for 10 years. This results in the following gross additional Council Tax revenues for each scenario.

Table 20: Additional Council Tax Revenue

Scenario	Additional Council Tax Revenue (total over 10 years)		
	Scenario 1	Scenario 2	Scenario 3
RBKC	£5.4m	£19.2m	£29.3m
LBHF	-	£11.5m	£11.5m
Combined	£5.4m	£30.7m	£40.8m

4.4.2 New Homes Bonus

The New Homes Bonus provides un-ring fenced funds to Councils for each new home completed. At present, the scheme only applies to homes that are completed in the current Spending Review period; that is, to the end of March 2015. However, it may well be that the New Homes Bonus is continued by any future government. Assuming the bonus is continued, the additional residential units would unlock additional funds. The scheme pays out for each new home for six years, with an additional payment of £350 for six years for each new affordable home completed.

The likely additional income to the Councils has been calculated on the assumption that the New Homes Bonus scheme continues as it currently stands. This income is based on the number of equivalent Council Tax Band D properties completed. Units falling in other bands are adjusted to produce a Band D total e.g. the number of Band E properties are multiplied by 11/9 to give a Band D equivalent. For 2012/13, the standard bonus for each Band D unit was £1,456 and we have assumed this will remain constant over the 6 year payment period.

Adjusting the unit mix to equivalent Band D property numbers and including an additional £350 per annum for each affordable unit, results in total New Homes Bonus income over six years as set out below. Due to the delay in receiving these revenues, totals have been phased and discounted in the same manner as the Council Tax income.

Table 21: New Homes Bonus Revenue

Scenario	New Homes Bonus Revenue (total over 6 years)		
	Scenario 1	Scenario 2	Scenario 3
RBKC	£5.2m	£18.5m	£28.2m
LBHF	-	£10.9m	£10.9m
Combined	£5.2m	£29.3m	£39.0m

4.4.3 Increased Spend from the Additional Population

Economic benefits are also likely to accrue through the additional disposable income in the local economy from the additional residential units under each scenario. Although slightly dated, the latest household size data from the DCLG (2007) can be used to establish an expected population for the unit mix in each scenario. From the 2011 census, 67% of these can be expected to be of working age and therefore economically active (18-65 years old, London average). This produces the following anticipated working age populations from the residential units in each scenario.

Table 22: Anticipated Working Age Population

	Scenario 1	Scenario 2	Scenario 3
RBKC	949	3,350	5,109
LBHF	-	2,010	2,010
Combined	949	5,360	7,119

The Annual Survey of Hours and Earnings (ASHE, 2013) reveals that median annual gross pay for Kensington & Chelsea residents is £39,600 and Hammersmith & Fulham residents is £33,000. Assuming that 50% of this is taken up by fixed costs (based on appropriate income tax and national insurance rates for these incomes, average UK industry mortgage costs and a Band D Council tax rating), this results in an average non-housing annual disposable income per resident of £19,800 in Kensington & Chelsea and £16,500 in Hammersmith & Fulham.

Multiplying the average disposable income by the number of additional working age residents results in the total gross disposable income for each scenario. However, to account for the fact that a significant proportion of this will not be spent in the local area but 'leak' out (i.e. spent elsewhere or saved), 50% has been deducted from the total figure in line with the HCA Additionality Guide, 2014 – though it should be recognised that this is a high level estimate. However, whatever is spent locally is also likely to have a knock-on effect, stimulating further economic spend and local supply chains. A standard multiplier effect for retail of 1.21 has therefore also been applied (again, in line with the Additionality Guide).

This results in an estimated additional local expenditure per annum from the new residential units for each scenario. As with the other benefits described above, these figures have been phased and discounted to take account of the delay in them being realised. It has also been assumed that the benefits will be realised for 10 years. The discounted figures are set out in Table 23.

Table 23: Additional Residential expenditure

Scenario	Additional Residential Expenditure		
	Scenario 1	Scenario 2	Scenario 3
RBKC	£65.8m	£232.3m	£354.2m
LBHF	-	£116.4m	£116.4m
Combined	£65.8m	£348.7m	£470.6m

4.5 GVA SUMMARY

Attempting to establish the GVA and other economic benefits of development schemes is invariably difficult as the circumstances of each project are unique, and because hard evidence on the impacts from future events is impossible to establish. In particular, various indicators are highly sensitive to local circumstance but in reality can only be

practically estimated using benchmarks derived from national evaluation experience (albeit informed with knowledge of the local area).

Taking account of the implicit caveats and limitations set out above, the following tables provides a summary of the potential job and GVA benefits of the three scenarios. This includes: permanent jobs from the commercial floorspace; construction jobs from commercial, residential and infrastructure works; and GVA figures from commercial employment, construction, Council tax, new homes bonus and disposal income expenditure from the additional residents.

Finally, it should be noted that the job and GVA figures are different expressions of the same economic benefit so should not be seen as additional to each other.

Table 24: RBKC Potential job and GVA benefits

	Scenario 1	Scenario 2	Scenario 3
Jobs (per annum):			
Permanent	755	1,267	1,137
Construction (for build period)	795	1,135	1,734
Total Additional GVA:			
Employment floorspace	£311.5m	£522.8m	£469.1m
Construction (for build period)	£162.7m	£429.8m	£655.5m
Council Tax	£5.4m	£19.2m	£29.3m
New Homes Bonus	£5.2m	£18.5m	£28.2m
Residential expenditure	£65.8m	£232.2m	£354.2m
TOTAL - with construction	£550.6m	£1,222.5m	£1,536.2m
TOTAL - without construction	£387.9m	£792.7m	£880.8m

Table 25: LBHF Potential job and GVA benefits

	Scenario 1	Scenario 2	Scenario 3
Jobs (per annum):			
Permanent	-	503	503
Construction (for build period)	-	567	567
Total Additional GVA:			
Employment floorspace	-	£207.5m	£207.5m
Construction (for build period)	-	£212.9m	£212.9m
Council Tax	-	£11.5m	£11.5m
New Homes Bonus	-	£10.8m	£10.9m
Residential expenditure	-	£116.4m	£116.4m
TOTAL - with construction	-	£559.2m	£559.2m
TOTAL - without construction	-	£346.3m	£346.3m

Table 26: Combined Potential job and GVA benefits

	Scenario 1	Scenario 2	Scenario 3
Jobs (per annum):			
Permanent	755	1,770	1,640
Construction (for build period)	795	1,702	2,301
Total Additional GVA:			
Employment floorspace	£311.5m	£730.3m	£676.7m
Construction (for build period)	£162.7m	£642.7m	£868.4m
Council Tax	£5.4m	£30.7m	£40.8m
New Homes Bonus	£5.2m	£29.3m	£39.0m
Residential expenditure	£65.8m	£348.7m	£470.6m
TOTAL - with construction	£550.6m	£1,781.7m	£2,095.5m
TOTAL - without construction	£387.9m	£1,139.0m	£1,227.1m

5 Results

5.1 SCENARIOS

Table 27 – Key constituents of the respective scheme scenarios

	Scenario 1	Scenario 2	Scenario 3	North Pole Depot Only
	Minimum	Intermediate	Maximum	Intermediate
	Kensal North Low	KENSAL NTH Med, KENSAL STH Med, H&F	KENSAL NTH High, KENSAL STH High, H&F	
Scheme summary				
Kensal North	✓ low	✓ med	✓ high	
Kensal South		✓ med	✓ high	
H&F (North Pole Depot, Mitre Ind Estate)		✓	✓	
High Speed 2 as planned	✓			
Kensal Portobello Crossrail Station			✓	
Road and bridge infrastructure				
Road bridge across railway		✓	✓	✓
Road links Scrubs Lane & Ladbroke Grove		✓	✓	✓
Unit Nos.				
RBKC	708	2,500	3,813	918
LBHF	-	1,500	1,500	1,118
	708	4,000	5,313	2,036

5.2 BASE RESULTS

Table 28 – Base Results

	Scenario 1	Scenario 2	Scenario 3	North Pole Depot Only
OVERALL				
Gross Development Value	£352,000,000	£1,571,000,000	£2,222,000,000	£745,000,000
Net Realisation	£348,000,000	£1,564,000,000	£2,215,000,000	£744,000,000
Total Development Costs	(£305,000,000)	(£1,164,000,000)	(£1,514,000,000)	(£525,000,000)
Developer Profit	(£70,000,000)	(£314,000,000)	(£444,000,000)	(£149,000,000)
Residual Value (Gross)	(£27,000,000)	£85,000,000	£257,000,000	£70,000,000
GVA (with construction)	£550,640,000	£1,781,750,000	£2,095,460,000	N/A
GVA (without construction)	£387,960,000	£1,139,040,000	£1,227,100,000	N/A
Jobs Created	1,550	3,472	3,941	N/A
RBKC				
Gross Development Value	£352,000,000	£987,000,000	£1,604,000,000	£320,000,000
Net Realisation	£348,000,000	£981,000,000	£1,599,000,000	£320,000,000
Total Development Costs	(£305,000,000)	(£792,000,000)	(£1,139,000,000)	(£253,000,000)
Developer Profit	(£70,000,000)	(£197,000,000)	(£321,000,000)	(£64,000,000)
Residual Value (Gross)	(£27,000,000)	(£8,000,000)	£140,000,000	£3,000,000
GVA (with construction)	£550,640,000	£1,222,520,000	£1,536,230,000	N/A
GVA (without construction)	£387,960,000	£792,700,000	£880,760,000	N/A
Additional Jobs	1,550	2,402	2,871	N/A
LBHF				
Gross Development Value	£0	£584,000,000	£618,000,000	£425,000,000
Net Realisation	£0	£583,000,000	£616,000,000	£424,000,000
Total Development Costs	£0	(£372,000,000)	(£375,000,000)	(£271,000,000)
Developer Profit	£0	(£117,000,000)	(£124,000,000)	(£85,000,000)
Residual Value (Gross)	£0	£94,000,000	£117,000,000	£68,000,000
GVA (with construction)	£0	£559,230,000	£559,230,000	N/A
GVA (without construction)	£0	£346,340,000	£346,340,000	N/A
Additional Jobs	-	1,070	1,070	N/A

* Figures are rounded

5.3 RBKC SENSITIVITIES

5.3.1 50:50 Tenure Mix, 50% Overall Affordable

Table 29 – Results subject to a 50% social rented, 50% intermediate tenure mix for overall 50% affordable housing provision on the RBKC sites

	Scenario 1	Scenario 2	Scenario 3	North Pole Depot Only
OVERALL				
Gross Development Value	£373,000,000	£1,639,000,000	£2,324,000,000	£770,000,000
Net Realisation	£369,000,000	£1,632,000,000	£2,318,000,000	£769,000,000
Total Development Costs	(£302,000,000)	(£1,153,000,000)	(£1,504,000,000)	(£519,000,000)
Developer Profit	(£75,000,000)	(£328,000,000)	(£465,000,000)	(£154,000,000)
Residual Value (Gross)	(£8,000,000)	£151,000,000	£349,000,000	£95,000,000
GVA (with construction)	£550,640,000	£1,781,750,000	£2,095,460,000	N/A
GVA (without construction)	£387,960,000	£1,139,040,000	£1,227,100,000	N/A
Jobs Created	1,550	3,472	3,941	N/A
RBKC				
Gross Development Value	£373,000,000	£1,054,000,000	£1,707,000,000	£345,000,000
Net Realisation	£369,000,000	£1,049,000,000	£1,702,000,000	£345,000,000
Total Development Costs	(£302,000,000)	(£784,000,000)	(£1,132,000,000)	(£251,000,000)
Developer Profit	(£75,000,000)	(£211,000,000)	(£341,000,000)	(£69,000,000)
Residual Value (Gross)	(£8,000,000)	£54,000,000	£228,000,000	£25,000,000
GVA (with construction)	£550,640,000	£1,222,520,000	£1,536,230,000	N/A
GVA (without construction)	£387,960,000	£792,700,000	£880,760,000	N/A
Additional Jobs	1,550	2,402	2,871	N/A
LBHF				
Gross Development Value	£0	£584,000,000	£618,000,000	£425,000,000
Net Realisation	£0	£583,000,000	£616,000,000	£424,000,000
Total Development Costs	£0	(£369,000,000)	(£372,000,000)	(£268,000,000)
Developer Profit	£0	(£117,000,000)	(£124,000,000)	(£85,000,000)
Residual Value (Gross)	£0	£97,000,000	£121,000,000	£70,000,000
GVA (with construction)	£0	£559,230,000	£559,230,000	N/A
GVA (without construction)	£0	£346,340,000	£346,340,000	N/A
Additional Jobs	-	1,070	1,070	N/A

5.3.2 85:15 Tenure Mix, 20% Overall Affordable

Table 30 –Results subject to a 85% social rented, 15% intermediate tenure mix for overall 20% affordable housing provision on the RBKC sites

	Scenario 1	Scenario 2	Scenario 3	North Pole Depot Only
OVERALL				
Gross Development Value	£460,000,000	£1,911,000,000	£2,839,000,000	£864,000,000
Net Realisation	£456,000,000	£1,904,000,000	£2,832,000,000	£863,000,000
Total Development Costs	(£302,000,000)	(£1,150,000,000)	(£1,509,000,000)	(£516,000,000)
Developer Profit	(£92,000,000)	(£382,000,000)	(£568,000,000)	(£173,000,000)
Residual Value (Gross)	£62,000,000	£372,000,000	£756,000,000	£174,000,000
Residual Value (NPV)	£33,000,000	£185,000,000	£404,000,000	(£286,000,000)
GVA (with construction)	£550,360,000	£1,780,770,000	£2,093,970,000	N/A
GVA (without construction)	£387,680,000	£1,138,060,000	£1,225,610,000	N/A
Jobs Created	1,550	3,472	3,941	N/A
RBKC				
Gross Development Value	£460,000,000	£1,326,000,000	£2,221,000,000	£439,000,000
Net Realisation	£456,000,000	£1,321,000,000	£2,216,000,000	£439,000,000
Total Development Costs	(£302,000,000)	(£787,000,000)	(£1,144,000,000)	(£252,000,000)
Developer Profit	(£92,000,000)	(£265,000,000)	(£444,000,000)	(£88,000,000)
Residual Value (Gross)	£62,000,000	£269,000,000	£628,000,000	£99,000,000
Residual Value (NPV)	£33,000,000	£133,000,000	£336,000,000	
GVA (with construction)	£550,360,000	£1,221,540,000	£1,534,740,000	N/A
GVA (without construction)	£387,680,000	£791,720,000	£879,270,000	N/A
Additional Jobs	1,550	2,402	2,871	N/A
LBHF				
Gross Development Value	£0	£584,000,000	£618,000,000	£425,000,000
Net Realisation	£0	£583,000,000	£616,000,000	£424,000,000
Total Development Costs	£0	(£363,000,000)	(£365,000,000)	(£264,000,000)
Developer Profit	£0	(£117,000,000)	(£124,000,000)	(£85,000,000)
Residual Value (Gross)	£0	£103,000,000	£128,000,000	£75,000,000
Residual Value (NPV)	£0	£51,000,000	£404,000,000	
GVA (with construction)	£0	£559,230,000	£559,230,000	N/A
GVA (without construction)	£0	£346,340,000	£346,340,000	N/A
Additional Jobs	-	1,070	1,070	N/A

5.3.3 50:50 Tenure Mix, 20% Overall Affordable

Table 31 –Results subject to a 50% social rented, 50% intermediate tenure mix for overall 20% affordable housing provision on the RBKC sites

	Scenario 1	Scenario 2	Scenario 3	North Pole Depot Only
OVERALL				
Gross Development Value	£469,000,000	£1,937,000,000	£2,880,000,000	£874,000,000
Net Realisation	£465,000,000	£1,931,000,000	£2,874,000,000	£873,000,000
Total Development Costs	(£302,000,000)	(£1,149,000,000)	(£1,508,000,000)	(£516,000,000)
Developer Profit	(£94,000,000)	(£387,000,000)	(£576,000,000)	(£175,000,000)
Residual Value (Gross)	£69,000,000	£394,000,000	£790,000,000	£182,000,000
Residual Value (NPV)	£38,000,000	£199,000,000	£426,000,000	(£288,000,000)
GVA (with construction)	£550,360,000	£1,780,770,000	£2,093,970,000	N/A
GVA (without construction)	£387,680,000	£1,138,060,000	£1,225,610,000	N/A
Jobs Created	1,550	3,472	3,941	N/A
RBKC				
Gross Development Value	£469,000,000	£1,353,000,000	£2,262,000,000	£449,000,000
Net Realisation	£465,000,000	£1,348,000,000	£2,257,000,000	£449,000,000
Total Development Costs	(£302,000,000)	(£787,000,000)	(£1,143,000,000)	(£252,000,000)
Developer Profit	(£94,000,000)	(£271,000,000)	(£452,000,000)	(£90,000,000)
Residual Value (Gross)	£69,000,000	£290,000,000	£661,000,000	£107,000,000
Residual Value (NPV)	£38,000,000	£147,000,000	£357,000,000	
GVA (with construction)	£550,360,000	£1,221,540,000	£1,534,740,000	N/A
GVA (without construction)	£387,680,000	£791,720,000	£879,270,000	N/A
Additional Jobs	1,550	2,402	2,871	N/A
LBHF				
Gross Development Value	£0	£584,000,000	£618,000,000	£425,000,000
Net Realisation	£0	£583,000,000	£616,000,000	£424,000,000
Total Development Costs	£0	(£363,000,000)	(£365,000,000)	(£264,000,000)
Developer Profit	£0	(£117,000,000)	(£124,000,000)	(£85,000,000)
Residual Value (Gross)	£0	£103,000,000	£128,000,000	£75,000,000
Residual Value (NPV)	£0	£52,000,000	£426,000,000	
GVA (with construction)	£0	£559,230,000	£559,230,000	N/A
GVA (without construction)	£0	£346,340,000	£346,340,000	N/A
Additional Jobs	-	1,070	1,070	N/A

6 General Assumptions

6.1 AREA

Table 32 – Gross to Net Ratios

Gross:Net	%
Residential	85%
Sainsburys	95%
Retail/ Leisure	65%
Office/ Employment	75%
Education / Community Floor/ Culture	75%
Other	75%

Table 33 – Area Table

Land Parcel	Ha	Acres
Kensal Gasworks & Adjacent Land	6.5	16.1
North Pole Depot (total)	8.9	22.0
Mitre Industrial Estate site	1.4	3.5
Sainsburys site	2.5	6.2
Boathouse Centre	0.2	0.5
Total	19.5	48.2
LBHF land	5.5	13.6
RBKC land	14.0	34.6
<i>Total</i>	19.5	48.2
<i>North Pole Depot</i>		
LBHF land	4.1	10.1
RBKC land	4.8	11.9
Total	8.9	22.0

6.2 SCHEME

- Residential unit areas have been benchmarked against the minimum unit areas as stated in the London Plan and are well above this minimum level.
- Mix of units for all schemes (for assessing GVA) are based on the LBHF assumption of 30%, 30%, 40% for 1, 2 and 3 bed units respectively.
- The density and type of development is spread evenly across the LBHF sites (Mitre Bridge Industrial Estate & North Pole Depot).

Table 34 – Unit Size and Relative Mix

	1 beds	2 beds	3 beds	4 beds	Average
Kensington & Chelsea					
Units	<i>41</i>	<i>58</i>	<i>71</i>	<i>74</i>	<i>58</i>
Percentage	30%	30%	40%	0%	
Hammersmith & Fulham					
Units	<i>41</i>	<i>58</i>	<i>71</i>	<i>74</i>	<i>58</i>
Percentage	30%	30%	40%	0%	

6.3 MISCELLANEOUS

- All parties sell their holdings at a market value and do not enforce a 'ransom payment'.
- National Grid is able to gain operational VP of the Gasworks.
- Canal Way is an adopted highway.
- All 3 schemes have been assessed as comprehensive developments with cash flow apportioned between land holdings.

7 Summary Outputs

The full results from DTZ's assessment are detailed in Section 5. Table 35 presents the headline results on an overall (i.e. not split between the Boroughs) basis and also on a differential basis between the scenarios of HS2 happening (Scenario 1) and it not happening (Scenarios 2 and 3 respectively).

Table 35 – DTZ Results

	Scenario 1	Scenario 2	Scenario 3	North Pole Depot Only
OVERALL				
Gross Development Value	£352,000,000	£1,571,000,000	£2,222,000,000	£745,000,000
Residual Value (Gross)	(£27,000,000)	£85,000,000	£257,000,000	£70,000,000
GVA (with construction)	£550,640,000	£1,781,750,000	£2,095,460,000	N/A
	Uplift Scenario 2 vs Scenario 1		Uplift Scenario 3 vs to Scenario 1	
OVERALL DIFFERENCE				
Gross Development Value	£1,219,000,000		£1,870,000,000	
Residual Value (Gross)	£112,000,000		£284,000,000	
GVA (with construction)	£1,231,110,000		£1,544,820,000	

Based on DTZ's draft analysis, RBKC and LBHF have stated the following within their petition on the HS2 Bill:

"A Gross Value Added, Gross Development Value and Residual Value Study undertaken by DTZ indicates the relocation of the HEX depot to North Pole East would prevent 3,300 homes, 1,900 jobs and an estimated £1,088m Gross Value Added over 10 years (including over £25m in Council tax and over £24m in New Homes Bonus revenues) and £1.2 billion Gross Development Value from being delivered across the Mitre Bridge Industrial estate, North Pole Depot and Kensal Gasworks sites. The North Pole Depot itself could deliver over 2,000 homes, generating a Gross Development Value of £745m and a residual value of £70m."

The Borough's have utilised the outputs of Scenario's 1 and 2 in their assessment and have not utilised the results of Scenario 3 (which includes the assumption of a Crossrail Station on the site). The GVA figure (£1,088m) quoted in the petition relates to a lower figure than reported in this report by DTZ as we are now quoting a mid point in the range as opposed to the lower end of the spectrum for potential GVA impact.

The analysis undertaken projects a significant loss in terms of GDV and circa £70m in residual value from the North Pole Depot. The results presented by DTZ are necessarily high level and subject to significant risk of variation as schemes become clearer and the costs of key infrastructure items, site servicing and decontamination are fully assessed.

Please note that the analysis and commentary within this report has been produced for RBKC and LBHF and may be reproduced in whole or part by them for the purpose of making petitions on the HS2 Bill. DTZ expressly disclaims any liability to any third party and our duty of care is only to RBKC and LBHF.

Appendix – Full Assumption List for results sent 14/5/2014

DTZ

Area

Residential units calculated on basis of 85% gross to net ratio, and varying net unit sizes based on our experience and local guidelines.

Retail / Leisure net floorspace based on 65% gross to net ratio (apart from the Sainsburys store which has been done at 95% for the new store to reflect improved efficiency in design compared to the existing store).

Office net floorspace based on 75% gross to net ratio.

Residential density calculated as site area ha / number of units.

Residential unit areas have been benchmarked against the minimum unit areas as stated in the London Plan and are well above this minimum level.

Affordable housing levels have been supplied by RBKC (50%) and LBHF (40%).

Site areas are based on DTZ Promap assessment and checking this against the original brief provided. The initial brief included some double counting of areas. For clarity, the areas assumed (in hectares) are:

Kensal Gasworks & Adjacent Land	6.5
North Pole Depot (total)	8.9
Mitre Industrial Estate site	1.4
Sainsburys site	2.5
Boathouse Centre	0.2
<i>Total</i>	19.5
LBHF land	5.5
RBKC land	14.0
<i>Total</i>	19.5
<i>North Pole Depot</i>	
RBKC land	4.8
LBHF land	4.1
<i>Total</i>	8.9

Scheme

Mix of units for all schemes (for assessing GVA) are based on the LBHF assumption of - 30%, 30%, 40% for 1, 2 and 3 bed units respectively.

The density and type of development is spread evenly across the LBHF sites (Mitre Bridge Industrial Estate & North Pole Depot).

Existing Use

DTZ is not aware of the net lettable area of the Mitre Business Park. Industrial existing use value for the park has been calculated by applying a net lettable percentage (40%) to the total site area (Promap) to give an indicative net lettable area. A rent of £13.00 and a yield 6.75% has been assumed. Existing use value has taken account purchaser's costs at 5.8%.

The existing use value of the Sainsburys store has been calculated using a gross to net area ratio of 90%. A rent of £25 at a yield of 4.75% has been applied and as well as purchaser's costs at 5.8%.

The Gas Works and associated land to the east, as well as the North Pole depot has been assumed to have an existing use of industrial for the purpose of assessing the existing use of the sites. The values that have been assigned are indicative values based on 'tone of the list' methodology to reflect the limited information available. DTZ has no access to operational information for these assets/land.

The existing use value of the Gas Works and associated land to the east has been assumed to be of higher value than the North Pole Depot site due to the existing access to the site as well as the shape of the land which would likely compromise use of the land for industrial use.

We have assumed that an approximate proportion of 30% of the North Pole Depot is within the LBHF scheme.

Values

Residential values have been benchmarked using new build/recently constructed schemes in W10 and the immediate surrounding area.

Office values have been benchmarked using small scale lettings in the immediate surrounding area.

Retail and Leisure values have been benchmarked using letting values in the surrounding area as well as similar sized residential schemes in London.

No annual growth in value has been accounted for in the appraisal.

Residential values have been increased/decreased depending on their proximity to the canal and railway track respectively.

Residential values have been increased by 15% units within a 500m radius of the Crossrail station in scenario 3. Units within circa 500-1,500 metres have been uplifted in value by 7.5%.

Affordable housing values for RBKC are represented as a blended rate based on 85% affordable rented and 15% intermediate housing. LBHF values are a blended rate based on comparable values of intermediate housing at White City.

For the purposes of the residual analysis of the LBHF North Pole Depot lands, we have assumed that values are circa 2.5% (on average) higher on the existing Mitre Bridge Industrial Park land area as compared to the North Pole Depot land area. This is based on circa half the units within the LBHF North Pole Depot lands having a 5% reduction in value due to proximity to the railway.

Costs

Base build costs are based on previous experience of similar projects in London.

There has been no inflation added to build costs.

Bridge and Kensal North site levelling costs have been sourced from the Kensal Gasworks Bridge Feasibility Study by Alan Baxter.

Gas holder decommission costs are based on broad assumptions including utilising our experience of gas holder development sites.

Decontamination/site servicing is based on previous experience of contaminated sites. Contamination level has been assumed to be high considering previous uses.

Cost of connection onto Scrubs Lane assumed as the cost of the railway bridge but with 25% contingency (circa £15.0m figure quoted by LBHF).

Crossrail Station costs have been sourced from the project brief.

Highways improvement is included within external works.

Borough CIL costs have been sourced from the respective Council Draft Charging Schedules.

Mayoral CIL has been applied to all development save from education and health facilities.

No levelling at Kensal North has been assumed in Scenario 1.

Cash flows are annual and the S curve apportion costs annually. Finance costs are also calculated annually.

There has been a contingency applied to total costs.

Phasing

Development takes place at an 'even' pace across all sites within the scenarios.

Scenario 1 has a 7 year sales period based on a conservative build and sales period.

Scenarios 2 and 3 are based on a 15 year sales period starting in 2020 as advised within the brief.

Misc

All parties sell their holdings at a market value and do not enforce a 'ransom payment'.

National Grid is able to gain operational VP of the Gasworks.
Canal Way is an adopted highway.

All 3 schemes have been assessed as comprehensive developments with cash flow apportioned between land holdings.

GVA

Residential Income:

Relationship between Council tax bands and unit types estimated using professional judgment and examples from other London Boroughs.

Council tax are 2014/15 rates and include GLA element but exclude K&C Garden Squares charge.

Household size data taken from Table 810, DCLG Survey of English Housing, 2007.

Proportion of working age population based on 18-65 age proportion in London, Census 2011.

Median gross annual pay is for all workers from ONS ASHE, 2013.

Income deductions are estimated and assumed to include: tax, national insurance, mortgage payments and Council tax. Based on current tax rates, UK industry mortgage average and Council tax band D.

Leakage, displacement and multiplier assumptions taken from HCA Additionality Guidance, 2014.

Jobs and GVA from employment uses:

Employment densities taken from HCA / Deloitte Employment Density Guidance, 2nd edition - general categories used due to high level nature of uses.

Gross jobs assumed, given difficulty in estimating net local jobs due to highly mobile nature of employment between Boroughs.

GVA per worker is an average blended rate.

Construction Jobs:

Assumptions taken from development model on split of total construction spend by residential, employment and infrastructure uses.

Labour co-efficients taken from OffPAT Construction Jobs Guidance Note (01/12/2009).

Total construction spend taken as proxy for output i.e. GVA of construction.

The costings utilised in this assessment are high level with significant potential for change. For the avoidance of doubt, no advice within this report is to be taken as a DTZ formal opinion of value and is not suitable for any purpose other than as agreed within the Engagement Letter. The commentary relates to scenarios and analysis which is based on information provided by third parties and high level, hypothetical schemes (although, they are schemes that we consider to be broadly deliverable in planning terms). No values referred to in this report are covered by the RICS Red Book (January 2014 edition).